

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4145-01  
Bill No.: HB 1239  
Subject: Taxation and Revenue - Property; Elderly; County Government; Counties  
Type: Original  
Date: February 1, 2012

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Bill Summary: This proposal provides for a freeze on property tax for certain senior citizens.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Revenue** and the **Department of Insurance, Financial Institutions and Professional Registration** state this proposal has no fiscal impact on their respective agencies.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state this proposed legislation should not result in additional costs or savings to BAP.

BAP assumes this proposal prohibits increases in assessed valuations and property tax rates for homestead owners over 70 years of age.

According to Census 2010 data:

- 9.7% of Missourians are age 70 or greater
- 18.4% of all housing units owner-occupied with a householder age 65 or over.

According to the State Tax Commission, the assessed value of residential property totaled \$51.553 billion in tax year 2010.

This proposal will not directly impact general revenues. To the extent that growth in property tax payments is slowed by this proposal, growth in Blind Pension Fund receipts may also be slowed.

Revenue losses of any political subdivisions are to be reimbursed by the state. This would increase general revenue spending, if the legislature appropriated the funds to hold the local

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ASSUMPTION (continued)

subdivisions harmless. If such funding is not appropriated, local political subdivisions, including school districts, could lose revenues.

Officials from the **Department of Elementary and Secondary Education** assume the proposal would exempt a qualifying person's principal residence and the adjacent real property not to exceed 5 acres from increases in assessed valuation and tax rate increases. A taxing authority's loss in revenue resulting from this program would be reimbursed by the state.

DESE assumes there would be some fiscal impact to the state but it would be impossible to determine.

Officials from the **Missouri Tax Commission (TAX)** assume this proposal freezes the property tax rate on property owned by certain senior citizens. According to the 2000 census information 70.3% of the housing units are owner occupied and 22.4% of the householders are 65 years of age and older. TAX does not have any information available on the number of property owners who would qualify for this freeze and is unable to project the revenue impact.

Officials from the **Office of State Auditor (SAU)** estimate that the additional calculation duty would require 2 FTE at the staff auditor I level in the tax rate section to gather the necessary data, analyze the submitted data, and calculate the revenue loss for each individual taxing authority. With over 4,850 tax rates, it is difficult to estimate the number of these calculations the SAU would be asked to complete. SAU assumes it is possible that additional staff above the aforementioned 2 FTE may be necessary as a result of this legislation. SAU is unable to perform the verification of revenue lost by political subdivisions as requested by this proposed legislation.

Officials from the **City of St Louis** assume their city would lose revenue as a result of capping the property tax for certain seniors. Officials cannot estimate potential lost revenue without knowing the cap rate.

In addition to lost revenue, this proposal would cost the Assessor's Office administrative costs for tracking, verifying and administering the eligibility of applicants. The City's Information Technology Services Agency (ITSA) would also incur costs. If the tax rates are capped, ITSA would have to maintain a number of different tax rates for different parcels depending on when the owner turns 70. Initial costs for the Assessor's Office and ITSA would be \$57,000, with annual maintenance costs of \$100,060.

Officials from **Kansas City** state this proposed legislation would have an initial impact on municipal revenue because property assessments would not be current for all property subject to

ASSUMPTION (continued)

the freeze. The size of the temporary loss of revenue will depend upon the personal and real property owned by persons age 70 or older and cannot be estimated with any accurate measure. However, the most recent American Community Survey (2009) estimates 23.1% of the owner-occupied homes in Kansas City are owned by persons 65 years and older. The value of that real estate cannot be easily estimated. However, there is a "make whole" provision that would eventually allow the City to recover from the State of Missouri the losses experienced in previous years.

Officials from **St Louis County** assume that if St Louis County and jurisdictions are reimbursed from the state, there would be no economic loss. However, the total reimbursement from the state could be substantial. The impact would depend upon the level of assistance and if there is an income level specified. If it is intended to create a stop loss the initial loss to the state may be \$3 million the first year and increasing geometrically over time.

St Louis County officials state costs would be minimal for assisting and mailing information to tax payers and minor administrative duties. Costs could be approximately \$10,000.

Officials from the **Mexico School District** state no fiscal impact can be determined at this time.

Officials from the **Special School District of St Louis County** state this proposed legislation is not expected to have a fiscal impact on their district.

Officials from the **Parkway School District** state this proposal should not result in any loss to their school district, provided appropriations are sufficient to reimburse school districts for revenue losses.

**Oversight** assumes, based on information from the Missouri Tax Commission, that the total assessed valuation of residential property has decreased in the last three assessment cycles. For the purposes of this fiscal note, **Oversight** will assume no revenue losses to political subdivisions resulting from the limits on assessed valuations proposed in this legislation.

Also, **Oversight** assumes that unless assessed valuations increase, the additional duties required by the Office of State Auditor (SAU) in this proposed legislation would not occur. If valuations do increase, resulting in revenue losses that need to be calculated, the SAU could request additional personal services through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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**LOCAL POLITICAL SUBDIVISIONS**

<u>Cost</u> - County Assessors - Administrative costs	(Unknown)	(Unknown)	(Unknown)
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<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<u><b>(Unknown)</b></u>	<u><b>(Unknown)</b></u>	<u><b>(Unknown)</b></u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

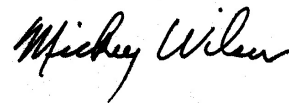
FISCAL DESCRIPTION

Beginning January 1, 2013, this proposed legislation exempts the residential property of an individual 70 years of age or older as of January 1 of each odd-numbered year from increases in assessed valuation that are not from new construction or improvements as long as no one under 62 years of age resides in the home. The property will also be exempt from tax rate increases until the owner moves, sells the homestead property, or fails to notify the county assessor of his or her continued eligibility. Any revenue losses of political subdivisions, as determined by the State Auditor, will be reimbursed by the state.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration  
    Division of Budget and Planning  
Department of Elementary and Secondary Education  
Department of Revenue  
    Taxation Division  
    State Tax Commission  
Office of Secretary of State  
    Administrative Rules Division  
Office of State Auditor  
Cities  
    St Louis  
    Kansas City  
Counties  
    St Louis  
Schools  
    Mexico  
    Special School District of St Louis County  
    Parkway



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Director  
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